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SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

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ANNUAL REPORT 1985-1986

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State Budget And Control Board

LETTER OF TRANSMITTAL

The Honorable Richard W. Riley, Governor and Members the of
General Assembly.

Gentlemen:

We are pleased to submit, in accordance with the
requirements of the S.C. Consumer Protection Code, the Twelfth
Annual Report of the S.C. Department of Consumer Affairs for the
period July 1, 1985 to June 30, 1986. Correspondence may be
addressed to all Commissioners, c/o S.C. Department of Consumer
Affairs, Post Office Box 5757, Columbia, S.C. 29250

Respectfully submitted,

COMMISSION ON CONSUMER AFFAIRS

Emil W. Wald, Chairman, Rock Hill

Lehman A. Moseley, Jr., Vice Chairman
Greenville

W. Lewis Burke, Columbia

John T. Campbell, Columbia

Bobby T. Jones, Camden

Richard C. Moore, Greenville

Thomas L. Moore, Clearwater

Dr. Lonnie Randolph, Jr. Columbia

Timothy F. Rogers, Columbia

Nell W. Stewart, Greenville

November 15, 1986

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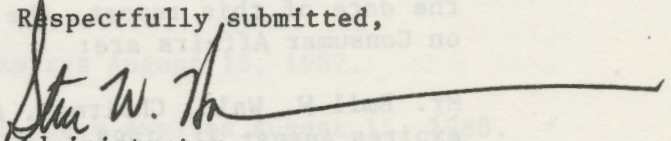
REPORT

TO: The S.C. Commission on Consumer Affairs

Gentlemen:

In compliance with the requirements of the S.C. Consumer Protection Code, I am pleased to present, herewith, the Twelfth Annual Report of the S.C. Department of Consumer Affairs covering Fiscal Year 1986. This is the eleventh full-year report of the S.C. Department of Consumer Affairs and includes information on its operation, functions, duties, and organization. Information on consumer complaints and registered creditors subject to the provisions of the S.C. Consumer Protection Code is included in summary form.

Respectfully submitted,


Administrator

November 15, 1986
Columbia, South Carolina

DEPARTMENT OF CONSUMER AFFAIRS
Organization

I. Commission on Consumer Affairs

The Commission on Consumer Affairs is composed of 11 members, one of whom is the Secretary of State. Of the remaining 10 members, one each is elected from the membership of the Senate and the House of Representatives. The General Assembly elects four other members from outside the legislature and the Governor appoints four other members whose appointments are confirmed by the Senate. The commission is the policy - making and governing authority of the S.C. Department of Consumer Affairs, appoints the Administrator and is responsible for enforcement of the S.C. Consumer Protection Code. As of the date of this report, the members of the S.C. Commission on Consumer Affairs are:

Mr. Emil W. Wald, Chairman, Attorney, Rock Hill, whose term expires August 31, 1988.

Mr. Lehman A. Moseley, Jr., Vice-Chairman, Attorney, Greenville, term expired August 31, 1981 but still serving.

Mr. W. Lewis Burke, Educator, Columbia, term expires August 31, 1987.

Secretary of State John T. Campbell, Columbia.

Mr. Bobby T. Jones, Educational Administrator, Camden, term expires August 31, 1989.

Mr. Richard C. Moore, Attorney, Greenville, term expires August 31, 1988.

Sen. Thomas L. Moore, Businessman, Clearwater, term runs concurrent with term of office.

Dr. Lonnie Randolph, Jr., Optometrist, Columbia, term expired August 31, 1982, but still serving.

Rep. Timothy F. Rogers, Attorney, Columbia, term runs concurrent with term of office.

Ms. Nell W. Stewart, Business Executive, Greenville, term expires August 31, 1990.

II. COUNCIL OF ADVISORS ON CONSUMER CREDIT

The Council of Advisors on Consumer Credit consists of 16 members who are appointed by the Governor. One of the advisors is designated by the Governor as chairman. The Council advises and consults with the Administrator

concerning the exercise of his powers under the S.C. Consumer Protection Code and may make recommendations to the Administrator. Members may assist the Administrator in obtaining compliance with the S.C. Consumer Protection Code. The following served as members of the Council of Advisors during the period July 1, 1985 through June 30, 1986.

Leonard L. Hutchison, Chairman, Florence, term expires August 15, 1988.

Adair Crawley, Secretary, Columbia, term expires August 15, 1989.

Mason G. Alexander, Greenville, term expires August 15, 1987.

William C. Brock, term expires August 15, 1987.

Linda Caggiano, Rock Hill, term expires August 15, 1988.

Larry Emanuelson, North Charleston, term expires August 15, 1990.

F. M. C. Fralix, Columbia, term expires August 15, 1990.

Louise R. Hassenplug, Rock Hill, term expires August 15, 1989.

Robert N. Hubbs, Lexington, term expires August 15, 1990.

C. Brian McLane, Columbia, term expires August 15, 1989.

Daniel R. Molony, Charleston, term expires August 15, 1990.

David Simpson, Rock Hill, term expires August 15, 1988.

W. Everett "Beau" Smith, Columbia, term expires August 15, 1988.

Elton Todd, Greenville, term expires August 15, 1989.

Patrick Earl Watson, Columbia, term expires August 15, 1987.

Charlton Whipple, Columbia, term expires August 15, 1987.

III. COMMITTEE ON CONSUMER AFFAIRS

The Committee on Consumer Affairs monitors the implementation of the S.C. Consumer Protection Code and serves as a continuing liaison between the S.C. Department of Consumer Affairs and the General Assembly. As of the date of this report the Committee Members are:

Sen. John C. Lindsay

Sen. Isadore E. Lourie
Sen. J. Verne Smith
Rep. Dick Elliott
Rep. Eugene D. Foxworth, Jr.
Rep. Eugene LeRoy Nettles, Jr.
Mr. James F. Lyles
Ms. Blondell Ragin
Mr. W. E. Vereen

IV. S.C. DEPARTMENT OF CONSUMER AFFAIRS

History and Purpose

The S.C. Department of Consumer Affairs was established by the S.C. Consumer Protection Code which was signed into law by the Governor on August 13, 1974. The S.C. Consumer Protection Code, which became effective on January 1, 1975, is the state law that governs consumer credit transactions in South Carolina. As the state agency designated to represent the interests of consumers, the S.C. Department of Consumer Affairs attempts to resolve complaints and seeks to inform and educate consumers in order to create an atmosphere in which consumers will be more aware of their rights and responsibilities in the marketplace. On July 25, 1978, the division of Consumer Advocacy was created and made a part of the S.C. Department of Consumer Affairs in order to insure that the consuming public was represented before regulatory agencies establishing prices for goods or services.

Organization

The S.C. Department of Consumer Affairs is organized into three divisions: Administration, Consumer Services (complaints), and Consumer Advocacy.

Main Objectives

As initially created, the primary function of the S.C. Department of Consumer Affairs was to regulate the consumer credit marketplace, to attempt to resolve any complaint arising out of the production, promotion or sale of consumer goods or services in South Carolina, whether or not credit is involved, and to promote a healthy competitive business climate with mutual confidence between buyers and sellers. The function and duties of the division of Consumer Advocacy are to provide legal representation of the consumer interest before state regulatory agencies when these agencies undertake to fix rates or prices for consumer products or services or to enact regulations or establish policies. In addition to its legal representation role, the division of Consumer Advocacy also monitors existing regulations, rate structures, and policies of special consumer interest and

is charged with the responsibility of reporting proposed changes through the media to the general public on the effect of the proposed changes to their lives.

Services

The S.C. Department of Consumer Affairs serves consumers through the following activities:

- (a) Analysis and investigation of individual complaints;
- (b) Investigation of business practices if patterns of fraud are indicated or suspected;
- (c) Referral to agencies with direct jurisdiction for immediate and specific assistance;
- (d) Public informational and educational programs designed to educate the consumer about unfair and deceptive practices and current utility and insurance issues through releases, newsletters, brochures, media reports, appearances, speaking engagements, workshops and other media presentations;
- (e) Initiation of and participation in legal actions to prevent individuals from violating the S.C. Consumer Protection Code, to prohibit unconscionable conduct, and to protect consumers from having to pay excessive utility and insurance rates;
- (f) Advice to consumers who request information according to the requirements of the Freedom of Information Act whether complaints have been filed against a particular company and, if so, how said complaints were resolved;
- (g) Legal representation of the public in utility and insurance rate and policy proceedings before regulatory agencies; and
- (h) Assistance and development of issues in utility and insurance matters based on concerns and complaints relating to utility and insurance rates or policies related thereto.

The S.C. Department of Consumer Affairs does not:

- (a) Advise whether or not a business is reputable;
- (b) Advise a consumer to buy a particular product or service or to patronize a particular business; and
- (c) Provide information such as the location or phone number of a business.

Consumer Complaint Procedure

When a consumer has a complaint, the first step in obtaining satisfaction is for the consumer to contact the business, make sure they are aware of the problem and give the business/company an opportunity to remedy the situation. If contact by the consumer and subsequent discussion does not resolve the problem, the consumer should contact the S.C. Department of Consumer Affairs. Consumers can call the S.C. Department of Consumer Affairs from anywhere in the state at no charge by using the department's toll free WATS line 1-800-922-1594. The

consumer should briefly describe the nature of the problem. In most cases, the consumer will be sent a complaint form which should be filled out with all pertinent information and returned to the S.C. Department of Consumer Affairs along with copies of all contracts, warranties, guarantees, advertisements or other written agreements or transaction documentation. When the complaint form is returned, it is assigned to a complaint analyst who carefully reviews the complaint and determines what action should be taken. If a complaint falls within the jurisdiction of another state or federal agency, it is usually referred to that agency before any action is taken by the department. The first step in resolving a complaint is to mail a copy of the consumers complaint to the business complained against with an accompanying letter from the S.C. Department of Consumer Affairs requesting that the business state its position on the complaint situation and suggest a resolution. When a reply is received from the business, the complaint analyst assigned to the complaint studies the position of both the consumer and the business and recommends further action or an appropriate closing.

V. OFFICE OF ADMINISTRATOR OF CONSUMER AFFAIRS

The Administrator is appointed by the Commission on Consumer Affairs, serves at its pleasure, and is responsible to the commission for the following functions and purposes as prescribed by the S.C. Consumer Protection Code:

To further consumer understanding of the terms of credit transactions and to foster competition among the suppliers of consumer credit so that consumers may obtain credit at reasonable cost.

To protect consumer buyers, lessees, and borrowers against unfair practices by some suppliers of consumer credit having due regard for the interests of legitimate and scrupulous creditors. To permit and encourage the development of fair and economically sound consumer credit practices.

To conform the regulation of consumer credit transactions to the policies of the Federal Consumer Credit Protection Act.

To implement the S.C. Consumer Protection Code in the state of South Carolina in accordance with the terms and provisions therein contained.

To establish programs for the education of consumers with respect to credit practices and problems.

To counsel persons and groups on their rights and duties under the S.C. Consumer Protection Code.

To make appropriate studies to effectuate the purposes and policies of the S.C. Consumer Protection Code and to make the results of such studies available to the public.

To report on the use of consumer credit in South Carolina and to report on the problems of persons of small means in obtaining credit.

To cooperate with and assist the S.C. Attorney General and all state and local agencies performing consumer protection functions in carrying out their legal enforcement responsibilities for the protection of consumers.

To initiate and encourage programs to inform consumers of market practices and schemes which are fraudulent, deceptive or illegal; how to detect and avoid abusive consumer transactions; and of remedies and relief available to consumers.

To receive complaints of individuals pertaining to any consumer transaction arising out of the production, promotion or sale of consumer goods and services; endeavor to determine the probable basis and merit of such complaints and advise the complainant of such determination;

To refer to the appropriate state or federal agency any complaint which is under the jurisdiction of such agency for appropriate action;

To endeavor to bring about a voluntary adjustment of any such complaint not within the jurisdiction of any regulatory or enforcement agency;

To undertake activities to encourage business and industry to maintain high standards of honesty, fair business practices, and public responsibility in the production, promotion, and sale of consumer goods and services;

To study the operation of consumer protection laws and recommend to the Governor and the General Assembly new laws and amendments to laws which would promote the protection of legitimate interests of consumers within this state.

The Administrator, acting in his capacity as Consumer Advocate of the state of South Carolina, also provides legal representation of the consumer interest before regulatory agencies undertaking to fix rates or prices for consumer products or services, enact regulations or establish policies.

A. Division of Administration

The division of administration is responsible for providing budget, supply, personnel, training, data processing and other administrative support to the S.C. Department of Consumer Affairs. In addition, the division is responsible for maintaining files and receipts of fees on the following acts:

- Credit Notification Act
- Maximum Rate Act
- Motor Clubs Service Act
- Physical Fitness Services Act

The Legal section is responsible for filing requirements and enforcement of the above acts.

The following table shows the Budget Status Report for Fiscal Year 1986.

A. STATEMENT OF EXPENDITURES

ACCOUNT	APPROPRIATED	TRANSFERS	ADJUSTED BALANCE	EXPENDED	BALANCE
General Administration	92,728.00	0.00	92,728.00	92,727.60	0.40
Office of Administration (Personnel)	374,086.00	650.71	374,736.71	373,448.09	1,288.62
Office of Administration (Operations)	227,519.00	71,041.71	298,560.71	284,563.72	13,996.99
Office of Administration (Sale of Surplus Property)	0.00	0.00	4,900.00	4,900.00	0.00
Office of Administration (One Time Appropriation)	37,538.63	0.00	37,538.63	37,538.63	0.00
Consumer Services (Personnel)	168,053.00	(5,070.63)	162,982.37	162,982.37	0.00
Consumer Services (Operations)	626,530.00	0.00	26,530.00	26,530.00	0.00
Consumer Advocate (Personnel)	162,736.00	47.06	162,783.06	162,783.06	0.00
Consumer Advocate (Operations)	254,982.00	(13,041.71)	241,940.29	241,823.29	117.00
Employee Contributions	147,350.00	3,808.07	151,158.07	149,985.43	1,172.64
2% Budget Reduction	0.00	30,084.00	30,084.00	0.00	30,084.00
Sub Totals	1,491,552.63	87,519.21	1,583,941.84	1,537,282.19	46,659.65
Approved carry forward to FY87	0.00	(13,880.78)	(13,880.78)	0.00	(13,880.78)
Totals	1,491,552.63	73,638.43	1,570,061.06	1,537,282.19	*32,778.87

* Savings were generated by personnel turn over and delayed hirings and includes budget reductions

MOTOR CLUB FILINGS

The Motor Club Services Act requires that all motor clubs doing business in the state, and representatives of these clubs, file with the S.C. Department of Consumer Affairs. The following information represents the motor clubs and motor club representatives filing with the S.C. Department of Consumer Affairs for FY 1986.

Motor Clubs	38
Motor Club Representatives	1,026

REVENUE:

Motor Clubs	\$19,000.00
Representatives	\$10,260.00
Total Received	\$29,260.00

REGISTERED CREDITORS

The S.C. Consumer Protection Code requires that persons who make consumer credit sales, leases or loans, or persons who engage in rent-to-own, and persons who take assignments of rights against debtors arising from such transactions are required to file a notification form and pay a notification fee to the S.C. Department of Consumer Affairs for each location at which such transactions are made. The following table shows the type, and number of locations of such creditors currently registered with the S.C. Department of Consumer Affairs.

	(1) Single Loc Creditors	(2) Multi Loc Creditors	(3) Multi Loc	(4) Total Loc (1+3)	(5) Total Filings (1+2)
Appliance Dealers	101	19	104	205	120
Automobile Parts	130	20	72	202	150
Banks	17	54	712	729	71
Boat/Airplane Dealers	31	0	0	31	31
Building Materials	102	15	259	361	186
Consumer Finance	119	46	392	511	165
Consumer Insurance	24	2	4	28	26
Consumer Lease	33	2	37	70	35
Cemeteries	34	1	2	36	35
Credit Unions	28	4	12	40	32
Department Stores	37	15	167	204	52
Educational					
Institutions	4	0	0	4	4
Farm Equipment	42	2	5	47	44
Florists	10	0	0	10	10
Funeral Homes	47	3	6	53	50
General Merchandise	24	6	16	40	30
Hardware/Paint Stores	100	6	25	125	106
Home Furnishings	264	37	161	425	301

Hospitals	21	3	12	33	24
Jewelry	37	16	75	112	53
Mobile Homes	74	19	78	152	93
Motor Vehicles	480	24	47	527	504
Oil Companies	42	16	72	14	58
Pawn Brokers	9	0	0	9	9
Pharmacies/Drug Stores	52	2	4	56	54
Professionals	16	5	16	32	21
Premium Service	11	2	4	15	13
Real Estate	29	0	0	29	29
Recreation Vehicle	24	2	4	28	26
Rent To Own	16	27	96	112	43
Regulated Lenders	9	4	19	28	13
Repair Shops	6	0	0	6	6
Retail Merchants	271	48	226	503	325
Sales Finance	11	5	87	98	16
Sporting Goods	7	1	6	9	8
Savings & Loan	8	30	271	279	38
Service Stations	8	0	0	6	6
Undetermined	13	5	20	33	18
Wearing Apparel	41	13	92	133	54
TOTAL	2336	454	3099	5435	2790

REVENUE:

Fees.....	\$271,750.00
Penalties.....	\$ 3,608.00
Prior Years Fees, etc.....	\$ 4,600.00
	<u>\$279,958.00</u>

MAXIMUM RATE SCHEDULE FILINGS

The Consumer Protection Code Revision Act of 1982 requires that creditors who wish to charge an Annual Percentage Rate (APR) in excess of 18% must file a Maximum Rate Schedule (MRS) with the S.C. Department of Consumer Affairs. A Maximum Rate Schedule must also be posted in the creditor's place of business. The following table shows the number and type of creditors which have filed an MRS with the S.C. Department of Consumer Affairs for FY 1986.

AD	Appliance Dealers.....	286
AP	Automobile Parts.....	127
BA	Banks.....	112
BD	Boat/Airplane Dealers.....	12
BM	Building Materials.....	76
CF	Consumer Finance.....	256
CI	Consumer Insurance.....	1
CL	Consumer Lease.....	6
CP	Cemeteries.....	7
CU	Credit Unions.....	0
DS	Department Stores.....	19
EI	Educational Institutions.....	1
FE	Farm Equipment.....	30
FL	Florists.....	2
FH	Funeral Homes.....	2
GM	General Merchandise.....	75
HS	Hardware/Paint Stores.....	31
HF	Home Furnishings.....	434
HO	Hospitals.....	0
JL	Jewelry.....	20
MH	Mobile Homes.....	153
MV	Motor Vehicles.....	645
OC	Oil Companies.....	20
PB	Pawn Brokers.....	1
PH	Pharmacies/Drug Stores.....	3
PR	Professionals.....	11
PS	Premium Service.....	3
RE	Real Estate.....	53
RV	Recreation Vehicle.....	52
RL	Regulated Lenders.....	22
RP	Repair Shops.....	6
RM	Retail Merchants.....	280
SG	Sporting Goods.....	25
SL	Savings & Loan.....	66
SS	Service Stations.....	1
UN	Undetermined.....	1
WA	Wearing Apparel.....	6
	TOTAL	2,845

REVENUE:

Certified Copy Fees.....	\$ 190.00
Certified Rate Filing Fees.....	\$28,450.00
Total Received.....	\$28,640.00

PHYSICAL FITNESS FILINGS

The Physical Fitness Services Act requires that all businesses offering physical fitness services in the state file with the S.C. Department of Consumer Affairs. The following information represents the physical fitness filing with the S.C. Department of Consumer Affairs for the FY86.

AC	Athletic Clubs.....	19
AE	Aquatic Exercise.....	0
DS	Dance Studios.....	7
EC	Exercise Clubs.....	9
GO	Golf Courses.....	12
MA	Martial Arts.....	9
SP	Spas & Health Clubs.....	56
SR	Skating Rinks.....	0
TS	Tanning Salons.....	160
WL	Weight Loss.....	33
	Total	* 305

REVENUE:

Certificate of Authority... \$17,125.00

* Some Physical Fitnesses were required to file twice in FY86

1. Counsel to the Administrator

The investigative and legal enforcement activities of the S.C. Department of Consumer Affairs are assigned to the Administrative Enforcement Section which is staffed by two staff attorneys, four investigators, and a secretary and is supervised by the Counsel to the Administrator. Selected consumer complaints are investigated for possible violations of the law. The section coordinates with appropriate federal, state, county, and local authorities as required.

Investigations conducted include both an information gathering procedure on selected complaints where suspected violations of the Code may be involved as well as more formal investigations where a violation of the Code is either evident or suspected.

During FY 1986, the S.C. Department of Consumer Affairs continued a joint state-federal odometer investigation and prosecution effort. An investigator from the S.C. Department of Consumer Affairs continued as a special agent of the federal grand jury and was responsible for developing odometer tampering cases for federal criminal prosecution. As a result, South Carolina leads the nation in its odometer enforcement efforts.

As a result of odometer tampering cases successfully prosecuted during FY 1986 and the media attention it generated, the S.C. Department of Consumer Affairs began to receive citizens' complaints which were investigated. A total of 44 citizens' inquiries were received. Seven of these were determined to involve rollbacks and two resulted in court ordered restitution of \$18,000 and a number of out of court settlements were received. A total of 30 used vehicle dealers were prosecuted during FY 1986. Three used vehicle dealers were prosecuted as repeat offenders. The joint investigation effort is ongoing.

During FY 1986, the Administrative Enforcement Section finalized five investigations. At present, two additional investigations are pending. In one of the finalized investigations, a consumer finance company made restitution of over \$140,000 in cash and credits to overcharged consumers. The section also brought suit on behalf of borrowers against Landbank Equity Corporation and numerous assignees of Landbank loans. The suit alleged numerous violations of the Consumer Protection Code and the Federal Truth in Lending Act. It also alleged that Landbank and certain of its officers violated the federal racketeering statute. While the case is still pending, a majority of the assignee defendants have settled the case by agreeing to reduce prepaid finance charges and likewise reduce the borrowers' payments for a 42 month period. The total amount of such adjustments cannot be determined at this printing, but it is anticipated that cash or credit adjustments will exceed \$1,000,000 and in excess of \$40,000 will be paid to the state by assignee defendants as an administrative expense fee.

The section also finalized four probable cause investigations concerning pawn shops. One such investigation begun in FY 1985 was settled after the S. C. Dept. of Consumer

Affairs filed suit on behalf of consumers for excess charges. As part of the settlement, the pawnbroker ceased doing business and wrote off all existing balances. The other three investigations were concluded by assurances of discontinuance requiring refunds and credits to the consumers.

Finally, the Administrative Enforcement Section participated as amicus curiae (or friend of the court) in an appeal before the S. C. Court of Appeals. The case tested the assignee liability provisions of the S. C. Consumer Protection Code. The Court of Appeals ultimately reversed the lower court ruling which had held that a consumer could not assert fraud or breach of warranty claims against an assignee of a consumer credit sale obligation.

EDUCATION AND PUBLIC INFORMATION SECTION

A. Educational Activities

The S.C. Department of Consumer Affairs utilized workshops, speeches, and media presentations to provide consumer education assistance to a wide cross-section of South Carolinians. During FY 1986 our educational activities continued to focus on a theme of "preventative consumerism" on such subjects as how to avoid frauds and schemes, healthy skepticism, effective consumer practices in handling consumer transactions ranging from automobile repairs to mail order purchases, coping with marketplace practices, and communicating more effectively with businesses in the resolution of complaints and problems arising out of consumer purchases of goods and services.

The educational programs were directed at students and teachers K-12 and college levels; and were provided for health institutions, churches, adult education programs, senior citizen groups, and other government agencies.

(a) Speeches were presented at 38 SC schools, institutions of higher learning, business and professional groups and other civic and church related organizations.

(b) Served as a judge for the Texize National Consumers Award, Greenville, SC and for the Academic Challenge involving all elementary and secondary schools in Beaufort County.

(c) Conducted a monthly "Know Your Consumer Rights" seminar for army personnel at Ft. Jackson, Columbia, S.C., plus workshops at other military installations including the Charleston Naval Base and Parris Island Marine Base.

(d) Provided technical assistance to the Suffolk County New York Dept. of Consumer Affairs, the Ft. Myer's, VA Army Base consumer programs, and the Direct Selling Education Foundation which sponsors technical assistance programs designed to help public

and private consumer groups become more efficient in organizational and management techniques.

(e) Served as a plenary session speaker for the following annual meetings: Governor's Office of Rural Development, Office of Crime Prevention, Office of Public Safety, S. C. Legal Secretaries Association and Beaufort Technical College's Conference on Women's Issues.

(f) Conducted a statewide essay contest for all South Carolina seventh grade students on the theme "How Do You Shop For Quality". The winning students were introduced at the 1986 National Consumers Week breakfast and presented a \$50 savings bond and a commemorative plaque. Dr. Charlie Williams, State Superintendent of Education, keynoted the breakfast.

(g) Coordinated a live one-hour telecast "The Consumer Test" on S. C. Educational Television's Carolina Journal featuring The Honorable Virginia Knauer and Steven W. Hamm. The program was shown statewide during National Consumer's Week and included segments on fraud, credit and automobile repairs. A related dramatization preceded each segment with time allotted for viewer call-in questions.

(h) Served as a liaison for the S.C. Department of Consumer Affairs during the planning and implementation of FORUM ON FRAUD '86, co-sponsored with the U.S. Post Office, Internal Revenue Service, the Better Business Bureau and the Greater Columbia Consumer Education Coalition.

(i) Reviewed proposals for the Office of Vocational Education for state grants awards for sex equity programs.

B. Public Information Activities

During the twelve months covered by this report, some public information activities initiated previously were serviced on a regular continuing basis, additional activities as enumerated were added and some activities which were considered no longer sufficiently useful discontinued.

(a) Continued to write and distribute weekly for broadcast five Consumer Reports, 60 to 90 seconds in length, on a variety of consumer subjects to approximately 32 radio and TV stations. This service to radio and TV stations began on March 12, 1979 with Consumer Report No. 1-3; as of the week of June 22-28, 1986 we distributed Consumer Reports No. 1901-1905.

(b) Conducted our annual mailing list survey for Consumer Reports and deleted any outlets which did not respond within a 30-day period that they wished to continue to receive the service.

(c) Initiated a public information Recall service which consists of a weekly four-page release listing recalls in the areas of food, vehicles, drugs, toys and products. After media distribution is made all recall notices are placed in the computer system under the subject category for quick access upon request.

(d) Prepared all of the written release materials which were utilized during National Consumers Week including the Governor's Proclamation, releases, PSA's, biographical material, etc.

(e) Developed and distributed newspaper releases on a variety of subjects to daily and less-than-daily newspapers, radio, and TV stations, wire services, and related media outlets.

(f) Compiled, edited and prepared for the printer all information for the 1985 annual report.

(g) Served as the liaison for Carolina Healthstyles program, attended meetings, submitted material to them for publication use, developed and coordinated in-house programs and activities.

(h) Continued to produce a weekly house-organ called The Week Ahead which is designed to improve communications and morale among agency personnel, gathered information and served as its editor/staff for the year.

The Public Information Section also performed a variety of activities such as speeches, workshops, seminars, media relations, and coordination of media activities which are common to public information functions.

B. Division of Consumer Services

The activities of the Consumer Services Division break down into two separate categories which are summarized on the following Tables I and II.

Table I (and accompanying explanation) summarizes the day-to-day work activities in terms of number of telephone calls received, responded to and referred; complaint forms distributed, completed and returned and other information and statistics of the work activities associates with that division.

Table II (and accompanying explanation) summarizes the manner in which complaint cases were completed and closed during FY 1986.

Several members of the division gave speeches, interviews, and presentations to schools, newspapers, radio and TV reporters and other media regarding consumer complaints. Consumer Services continued its coordination with the Public Information and Education Section in alerting them to unique consumer problems, scams and concerns which might warrant consumer education and media attention efforts. Consumer Services staff also worked

with and supervised the work of two students from Columbia College who interned with the agency during FY 1986.

The Consumer Services Division referred many complaints to the Legal section for advice and investigation. During the fiscal year all records for 1985 and 1986 were put into a computer system. This system has assisted in the processing of complaints in a more timely and expeditious manner.

TABLE I

	FY1986	FY1985	FY1984
1. Telephone calls & inquiries received	36,235	39,404	23,229
2. Percent of Increase over Previous Year	--	41%	16%
3. Written Complaints Received	4,746	4,422	4,366
4. Complaints Referred to Chamber of Commerce	20	47	41
5. Complaints Referred to AUTOCAP	51	132	74
6. Complaints Referred from Other State Agencies	282	512	392
7. Complaint Forms Distributed	11,484	10,766	10,135
8. Complaint Information Calls	8,176	7,461	6,294
9. Telephone Inquiries Referred to Another State/Federal Agency	3,099	2,475	2,734

TABLE I

Explanatory Notes

1. This item refers to the total number of telephone calls received and handled by the Consumer Services Division. This includes general inquiry, advice and information calls; requests for complaint forms not returned; inquiries about whether or not a complaint has been filed against a company; etc.
2. This item refers to the percent of increase in total telephone calls received over the previous year.
3. No explanation necessary.
4. This item refers to complaints which were forwarded to the Chamber of Commerce member companies which agreed to receive and resolve complaints filed against their members.
5. This item refers to automobile related complaints filed with the S.C. Department of Consumer Affairs but referred to AUTOCAP (Automotive Consumer Action Program) in a third-party mediation system designed to help dealers and consumers resolve disputes amicably and without resorting to litigation.
6. No explanation necessary.
7. No explanation necessary.
8. This item refers to calls received from consumers inquiring whether or not a complaint(s) has been filed against a company with which they are considering doing business.
9. No explanation necessary.

TABLE II
Written Complaints Closed
July 1, 1985 - June 30, 1986

CLOSING STATUS	NUMBER	PERCENT
Satisfied	3016	78
Unsatisfied or No Reply from Business	201	5
Insufficient Merit	237	6
Abandoned by Consumer	239	6
Undetermined or Disputed Facts	196	5
Subtotal	3889	
Referred	<u>848</u>	
TOTAL	4729	100%

TABLE II
Explanatory Notes

\$263,490.00 was recovered for consumers in refunds, exchanges, adjustments, or repairs during FY 1986. This was an increase of 29% over FY 1985. 4729 complaints were closed in the year ending June 30, 1986. Of this total, 3016 complaints (78%) were closed to the consumer's satisfaction. Not all of the consumers whose complaints were closed as satisfied received refunds. Some of these consumers received an explanation from the business which the S. C. Department of Consumer Affairs accepted as satisfactory.

During the year ending June 30, 1986, 17% of the complaints received were referred to other state or federal agencies having primary jurisdiction in the matter about which the consumer complained.

Table III
Complaint Categories Containing Greatest
Number of Complaints

Rank in FY 1986		Rank in FY 1985	Number FY 1986	Percent of Total Complaints
1.	Vehicles	1	880	18.00
2.	Mail Order	2	430	9.00
3.	Contractors/Builders	3	345	7.00
4.	Credit Problems/ Billing	5	228	4.00
5.	Appliances/TV/Radio	4	223	4.00
6.	Home Furnishings	8	145	3.00
7.	Real Estate/ Mortgages	7	144	3.00
8.	Magazines/Books	6	123	2.00
9.	Mobile Homes	10	121	2.00
10.	Apt. Leases/ Deposits	12	91	01
Total Complaints			2730	53.00

Table IV
Complaints Received by County

July 1, 1985 - June 30, 1986

Counties	Population	Complaints Received	Complaints per 1000 Persons
Abbeville	22,700	15	.66
Aiken	116,000	109	.9
Allendale	10,400	3	.28
Anderson	139,600	159	1.13
Bamberg	18,400	5	.27
Barnwell	20,500	12	.58
Beaufort	83,800	95	1.13
Berkeley	119,500	113	.94
Calhoun	11,900	6	.5
Charleston	289,400	544	1.87
Cherokee	41,100	46	1.11
Chester	30,600	20	.65
Chesterfield	38,700	26	.67
Clarendon	28,800	21	.75
Colleton	34,100	30	.87
Darlington	64,400	51	.79
Dillon	32,300	16	.49
Dorchester	72,900	125	1.71
Edgefield	18,000	8	.44
Fairfield	21,200	24	1.13
Florence	115,200	158	1.37
Georgetown	46,300	60	1.29
Greenville	302,900	158	.52
Greenwood	60,000	50	.83
Hampton	18,800	11	.58
Horry	126,700	187	1.47
Jasper	14,700	33	2.24
Kershaw	42,200	64	1.51
Lancaster	55,400	9	.16
Laurens	53,200	46	.86
Lee	18,700	13	.69
Lexington	160,400	354	2.20
McCormick	7,200	1	.13
Marion	35,000	58	1.65
Marlboro	32,000	23	.71
Newberry	32,000	40	1.25
Oconee	51,600	53	1.02
Orangeburg	86,200	94	1.09
Pickens	85,500	25	.29
Richland	279,100	867	3.10
Saluda	17,200	6	.34
Spartanburg	211,200	290	1.37
Sumter	94,600	89	.94
Union	30,800	45	1.46
Williamsburg	38,700	27	.69

York	118,400	75	.65
TOTAL, SC	3,347,000	4267	
TOTAL - N.C. GA.,			
OTHER		479	
TOTAL COMPLAINTS		4746	

DIVISION OF CONSUMER ADVOCACY

I. Function

The Division provides legal representation of the consumer interest before State regulatory agencies undertaking to fix rates or prices for consumer products or services, enact regulations or establish policies. The Division also monitors regulations, rate structures and policies of consumer-related agencies and reports proposed changes and the effect of such changes on the lives of the citizens of the State to the public through the media.

II. Administrative Hearings

A. Public Service Commission (PSC)

The Division of Consumer Advocacy participated in 84 proceedings before the Public Service Commission (PSC) involving approximately \$120,829,120. Those hearings primarily involved requests for rate increases and new charges by telephone and electric utilities, gas companies, transportation companies and water and sewer companies. The PSC approved increases totaling approximately \$81,802,257 in additional revenues or 63.5% on average of the amounts requested. In many cases, the Division of Consumer Advocacy presented expert testimony on cost of capital, accounting, and rate design issues under consideration.

In addition, the Division of Consumer Advocacy assisted customers of both regulated and non-regulated utilities with questions about their bills and possible service problems.

B. S.C. Department of Insurance

The Division of Consumer Advocacy participated in hearings for 16 insurance filings at the S.C. Department of Insurance. Those filings involved 8 automobile insurance cases, 2 commercial liability insurance cases, 1 health insurance case, 1 workmen's compensation case, 1 products liability case and 1 commercial multi-peril case. In the completed cases, the Chief Insurance Commissioner approved increases in premiums totaling approximately \$51,680,564 or 42% of the \$122,668,680 requested.

The Division of Consumer Advocacy also assisted consumers who had complaints about insurance companies, and is continuing to monitor the bankruptcy and rehabilitation plan for the Baldwin United Insurance Companies and its effect on South Carolina annuityholders.

Finally, the Division of Consumer Advocacy monitored insurance legislative developments and reviewed various legislative proposals that would affect South Carolina policyholders. It also assisted the legislative Insurance Law Study Committee in compiling for recodification various South Carolina insurance statutes.

C. S.C. Dairy Board

The Division of Consumer Advocacy reviewed legislative proposals revamping the authority of the S.C. Dairy Commission in light of an adverse South Carolina Supreme Court decision which, among other provisions, changed the name of the S.C. Dairy Commission to the S.C. Dairy Board.

The Division of Consumer Advocacy also continued to attend the monthly meetings of the S.C. Dairy Board.

The Dairy Board's functions were transferred to the State Department of Agriculture effective July 1, 1986.

D. Federal Agencies

1. Federal Energy Regulatory Commission (FERC)

The Division of Consumer Advocacy had intervened in proceedings where Piedmont Natural Gas Company was seeking to expand its service territory from Charlotte, North Carolina into York and Lancaster counties in South Carolina. Piedmont withdrew its filings before a hearing was scheduled.

The Division of Consumer Advocacy is also participating in a rate establishment case pending before FERC involving the South Carolina Generating Company, an affiliate of SCANA, the holding company for S.C. Electric and Gas Company as well as other companies. In connection with that case, the Division of Consumer Advocacy participated in several prehearing conferences, and the trial which took place in the Fall of 1985. Portions of the Administrative Law Judge's Initial Decision have been appealed to the full Commission, and that case is pending.

The Division of Consumer Advocacy is also participating in a pending FERC Notice of Inquiry concerning transmission service and sales-for-resale.

2. Federal Communications Commission (FCC)

The Division of Consumer Advocacy monitored a variety of decisions, policies, and proposals before the Federal Communications Commission affecting South Carolina telecommunications subscribers.

III. Civil Proceedings

A. Utility Litigation

The Division of Consumer Advocacy has been involved in 5 appeals to the circuit court of final orders of the Public Service Commission. Four cases were argued by the Division of Consumer Advocacy before the S.C. Supreme Court. In addition, the Division of Consumer Advocacy is involved in 3 more cases which are still pending before the S.C. Supreme Court.

The Division of Consumer Advocacy has continued its involvement in Federal court cases involving appeals from Federal

Communications Commission (FCC) decisions preempting State authority to set access and depreciation charges. In the depreciation case from the Fourth Circuit in which the Division of Consumer Advocacy was a co-petitioner, the U. S. Supreme Court decided that the Fourth Circuit incorrectly allowed the FCC to preempt State regulatory authority to set telecommunications depreciation rates. This case is the biggest single utility case in history with approximately \$1 billion saved across the United States. The Division of Consumer Advocacy, the National Association of Regulatory Commissioners (NARUC), and several other entities had also filed an amicus curiae brief in an appeal to the U.S. Supreme Court from an Eighth Circuit opinion concerning the same FCC depreciation ruling. That case was consolidated with the case above.

The Division of Consumer Advocacy, under the aegis of the National Association of State Utility Consumer Advocates (NASUCA), and NARUC also filed an amicus brief in an appeal to the U. S. Supreme Court from the Supreme Court of California. The appellees, Public Utilities Commission of the State of California, et al., have petitioned for rehearing of the U. S. Supreme Court's ruling that disallows third parties access to Pacific Gas and Electric Company's monthly utility bills.

B. Insurance Litigation

Last year the Division of Consumer Advocacy and S.C. Department of Insurance had argued one case before the S.C. Court of Appeals involving the method by which State Farm Insurance is to be reimbursed for losses incurred on high risk accounts. The Court of Appeals had affirmed in part, and reversed in part, the circuit court decision. More recently, the S. C. Supreme Court has granted the Petition for a Writ of Certiorari filed by both agencies, and has subsequently reversed the decision of the Court of Appeals. That ruling will lower by approximately \$5 million annually the amount of an increase in premiums that State Farm may request in a private passenger auto insurance rate filing.

IV. Organizational Involvement

Consumer Advocate Steven W. Hamm served as President of the National Association of State Utility Consumer Advocates (NASUCA) through November 1985. In his capacity as S.C. Consumer Advocate and President of NASUCA, Mr. Hamm, the Assistant Consumer Advocate Raymon Lark, and other Division of Consumer Advocacy attorneys have actively participated in court proceedings, in hearings before Congress, and in seminars and public service talks on utility-related matters. Mr. Hamm has recently been elected President of the National Association of Consumer Agency Administrators (NACAA) and has also been appointed by the Board of Governors of the Federal Reserve System to serve on its National Consumer Advisory Council.

V. Legislative Involvement

A. Federal Legislation

At its request, the Division of Consumer Advocacy assisted the National Association of State Utility Consumer Advocates (NASUCA) in evaluating the potential impact of the pending tax legislation on utilities and pending legislation clarifying the authority of State utility commissions over certain wholesale electric rates previously approved by the Federal Energy Regulatory Commission (FERC).

A. State Legislation

The Division of Consumer Advocacy monitored and evaluated legislation affecting the interests of consumers and also assisted the legislative Insurance Law Study Committee and the staff of the S.C. Department of Insurance in compiling the various insurance statutes found throughout the S.C. Code for recodification.

B. Administrative Regulations

The Division of Consumer Advocacy filed comments on proposed amendments and changes to PSC regulations governing prepared statements and exhibits of witnesses. The Division of Consumer Advocacy has also filed comments on proposed amendments and changes to the sewer, water, gas, electric and telecommunications regulations. The Division of Consumer Advocacy participated in hearing concerning the sewer and water proposed regulations. It had earlier participated in the hearings held on the changes to the gas, electric and telecommunications regulations as well as the hearing on the PSC's proposed changes for prepared statements and exhibits of witnesses. The PSC's regulations have now been approved by the S. C. General Assembly.

INFORMATION PROCEDURE

Requests for information may be made to any appropriate division of the S.C. Department of Consumer Affairs. The appropriate division for inquiries relating to complaints or statistics is the division of Consumer Services. The appropriate division for inquiries relating to office management, personnel, budget, notifications, and fees is the division of Administration.

All requests for information which require a response in the nature of a legal opinion or interpretation or a statement of official policy or position of the agency must be submitted in writing.

Submissions or suggestions designed to improve the operation of the S.C. Department of Consumer Affairs should be submitted in writing to the office of the Administrator of the S.C. Department of Consumer Affairs, without regard to the division or activity to which they may pertain.

Requests for copies of publications, which may from time to time be issued by the S.C. Department of Consumer Affairs, should be addressed to the division of Administration. These requests may be in writing, by telephone or by personal visit.

Requests or submissions of any nature may be made in writing to the office of the Administrator of the S.C. Department of Consumer Affairs.

The agency's offices are located at 2801 Devine Street, Columbia, S.C. The mailing address is the S.C. Department of Consumer Affairs, P.O. Box 5757, Columbia, S.C. 29250. The toll free WATS line number is 1-800-922-1594.

HISTORICAL DATA

August 13, 1974	The S.C. Department of Consumer Affairs was established by Act 1241 of 1974, as amended.
August 19, 1974	First commissioners appointed to the S.C. Commission on Consumer Affairs.
August 29, 1974	First members appointed to the Council of Advisors on Consumer Credit.
September 30, 1974	Irvin D. Parker of Columbia appointed as the first administrator of the S.C. Department of Consumer Affairs.
November 1, 1974	S.C. Department of Consumer Affairs became operational.
September 29, 1976	Act 686 of 1976, which added to the S.C. Consumer Protection Code those portions of the Uniform Consumer Credit Code which pertained to loans and licensed lenders, became effective.
July 25, 1978	The Division of Consumer Advocacy was created by Act 644, as a new division within the S.C. Department of Consumer Affairs, with the designation of the Administrator of Consumer Affairs as the Consumer Advocate. The Act also altered the composition of the Commission on Consumer Affairs, increasing its membership to 11.
Spring, 1980	Acts 326, 337, 411, 433 and 475 were passed which provided substantial changes to the S.C. Consumer Protection Code. These changes included clarification of the law regarding usury; retention of minimum charge for consumer credit sales/loans repayment; brought State Chartered Credit Unions under the S.C. Consumer Protection Code; allows 90 days for the S.C. Insurance Commissioner to approve or disapprove forms and rate schedules; provides escalator provision for designated dollar amounts in S.C. Consumer Protection Code; increased allowable rates for revolving charge accounts and for nonsupervised lenders; conformed 3 month S.C. Consumer Protection Code notice provision to Federal Reserve Board regulation; addresses mail order loan territorial application sales/loan situation.

June 12, 1981

Act No. 107, the S.C. Private Personnel Agency Act was passed. This legislation licenses, regulates and monitors the activities of employment agencies or individuals engaged in obtaining employment for others and designates the S.C. Department of Consumer Affairs, among others, as an agency responsible for investigating complaints from consumers about the activities of employment agency type businesses as well as using their enforcement jurisdiction and authority when appropriate.

July 1, 1981

Irvin D. Parker of Columbia resigned as administrator/consumer advocate of the S.C. Department of Consumer Affairs.

August 4, 1981

Roy C. Harms appointed Acting Administrator of the S.C. Department of Consumer Affairs. Steven W. Hamm appointed Acting Consumer Advocate of the S.C. Department of Consumer Affairs.

September 22, 1981

Steven W. Hamm of Columbia appointed as Administrator/Consumer Advocate of the S.C. Department of Consumer Affairs.

July 1, 1982

Act 385, the Consumer Protection Code Revision Act of 1982 became effective. The act deregulates interest rates and provides for a business established maximum rate structure. All first mortgage loans were removed from the S.C. Consumer Protection Code and some additional charges were provided for. Consumer protections were increased by strengthening the provisions on unconscionability, requiring other state agencies to investigate complaints, providing the S.C. Department of Consumer Affairs with authority to investigate unfair trade practices and to file suit on behalf of consumers when the actual damages were \$300 or less.

December, 1983

Governor Richard W. Riley designated the S.C. Department of Consumer Affairs as an additional official liaison with the U.S. Consumer Product Safety Commission which has duly commissioned its officials, under the authority of the U.S. Consumer Product Safety Act, to conduct inspections and investigations under the Consumer Product Safety Act, the Federal Hazardous Substances

Act, the Poison Prevention Packaging Act, the Flammable Fabrics Act, and the Refrigerator Safety Act.

September 20, 1984

The Motor Club Services Act became effective. The act requires that any organization which sells, furnishes or makes available to its members any motor club services must obtain from the S.C. Department of Consumer Affairs a Certificate of Authority to operate. Application for an operating Certificate of Authority requires a bond or deposit of bond in cash or securities of \$50,000, a certified copy of its charter from the Secretary of State, articles of incorporation, by-laws, financial statement and an explanation of its plan for doing business plus other documentation. The law applies to towing services, bail and arrest bond service, emergency road services, claim adjustment services, legal services, map services, emergency travel expense services, merchandise and discount services, travel touring and travel information services, financial services, check cashing services, personal property registration services, credit card services, insurance services, and buying and selling services to club members.

June 6, 1985

Act No. 127 of 1985 became effective. The act provides that a creditor may contract for property insurance on property all or part of which is related to the credit transaction.

June 20, 1985

Act No. 153 of 1985 was signed into law by Governor Richard W. Riley. The act amended the Consumer Protection Code so as to make it clear that it was unconscionable to charge excess prepaid finance charges no matter how those charges were designated if they substantially exceeded the usual and customary charges for a particular type of loan. The intent of the act was to prevent misrepresentation of rates and the charging of unconscionable rates no matter how they were disclosed or identified.

June 24, 1985

Governor Richard W. Riley signed the Physical Fitness Services Act into law. The act provides that everyone providing physical fitness services, for profit, in

South Carolina must pay a yearly fee and obtain a Certificate of Authority from the S.C. Dept. of Consumer Affairs. Organizations utilizing membership contracts must post a bond or file a statement of financial responsibility. All operators must submit a certified copy of their charter from the Secretary of State, copies of membership agreements and contracts and a list of all outlets. Organizations that have been in business for five years are exempt from the bonding requirement.

January 1, 1986

Act No. 121 of 1985 became effective. The act added Part 7 to Chapter 2 of the South Carolina Consumer Protection Code. The part regulates consumer rental-purchase agreements and requires rental-purchase businesses to file a notification form with the S. C. Dept. of Consumer Affairs.

May 6, 1986

Act No. 401 of 1986, which authorized a two dollar minimum charge for property insurance, became effective.

May 12, 1986

Governor Richard W. Riley signed into law an act providing that no action for damages arising out of the defective or unsafe condition of an improvement to real property may be brought more than 13 years after substantial completion of the improvement. The act requires the S. C. Dept. of Consumer Affairs to publish notice of owners' or possessors' right to enter into any contractual agreement which extends any guarantee of an improvement being free from defect beyond the 13 years as provided in the act.

